

Factsheet 31 July 2020

NIKKO AM PROPERTY STRATEGY

Applies to: Nikko AM Wholesale Property Fund

Market Overview

- Equity markets continued to recover from the hit they took in March with several, including New Zealand now in positive territory year to date.
- The United States S&P 500 index rose 5.5%, the Japanese Nikkei 225 index was down 2.6%, the UK FTSE 100 index lost 4.4%, the Australian ASX 200 index increased 0.5% and the MSCI World index ended the month up 4.0%.
- The S&P/NZX Real Estate index rose 7.1% and outperformed the broader market with the S&P/NZX 50 index up 2.5%. The Australian property index ended the month up 0.6%.

Fund Highlights

- The fund rose 7.5%, 0.4% ahead of the index return.
- Overweight positions in Summerset and Stride Property and an underweight in Kiwi Property added value. Overweight positions in Waypoint REIT and Garda Property and an underweight position Goodman Property detracted from value.

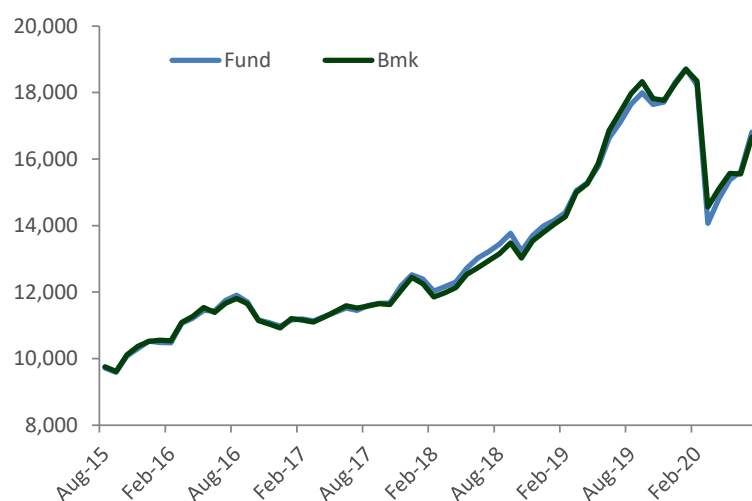
Performance

	One month	Three months	One Year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	7.54%	13.57%	-1.75%	13.65%	10.94%	-
Benchmark ²	7.10%	10.35%	-4.31%	13.08%	10.75%	-

1. Returns are before tax and before the deduction of fees.

2. Benchmark: S&P/NZX All Real Estate Industry Group Gross with Imputation Credits Index. No tax or fees.

Five Year Cumulative Performance, \$10,000 invested^{1, 2}



Portfolio Manager

Michael Sherrock,
Portfolio Manager



Responsible for the Property and NZ Equities Fund. Covers the Property, Energy, Materials and Retirement sectors. Nineteen years of experience within the finance industry including Schroders in the UK and ASB Group Investments in New Zealand. Michael holds a Bachelor of Commerce degree from the University of Auckland and is a CFA charter holder. Joined in 2006.

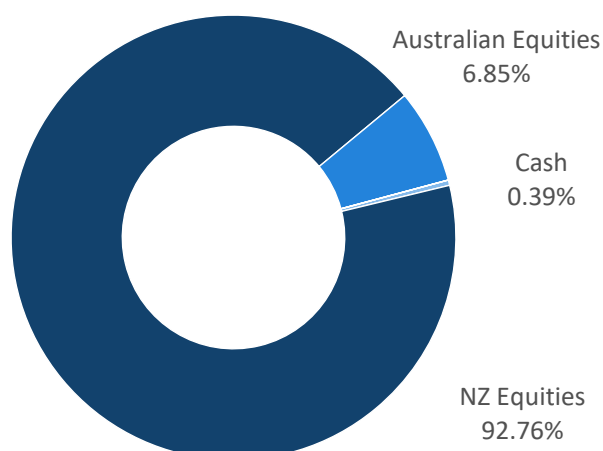
Overview

The Property Strategy provides investors with an exposure to New Zealand listed property securities and, on an opportunistic basis, Australian listed property securities from an actively managed investment portfolio.

Objective

The fund aims to outperform the benchmark return by 1.5% per annum before fees, expenses and taxes over a rolling three year period.

Asset Allocation



Attribution to Performance (month)				Top 10 holdings				
What Helped		What Hurt		Goodman Property	18.28%	Investore Property	9.38%	
Summerset Group	OW	Waypoint Reit	OW	Argosy Property	14.32%	Property for Industry	6.16%	
Kiwi Property	UW	Goodman Property	UW	Precinct Properties	13.57%	Vital Healthcare	3.84%	
Stride Property Group	OW	Garda Property Group	OW	Kiwi Property Group	12.19%	Summerset Group	1.81%	
OW: overweight; UW: underweight; NH: no holding. Month-end position				Stride Property	10.92%	Ingenia Communities	1.50%	
							Number of holdings	17

Market Commentary

Equity markets continued to recover from the hit they took in March with several, including New Zealand now in positive territory year to date. While the New Zealand property sector had a strong month it still remains in negative territory on a year to date basis. Markets in general seem to be looking through the economic impact from COVID-19 with low interest rates leading investors to look for higher returns in equity markets. A number of companies will be reporting their results for the period ending June during August which will provide some insight into recent trading and their confidence in the near term outlook. Looking forward, investors will start to focus on upcoming elections, both in New Zealand and the United States and policies being announced that might impact on sectors, stocks and opinion polls as to who is likely to be governing later in the year.

Fund Commentary

The fund ended the month up 7.5% and 0.4% ahead of the index which rose 7.1%. The largest positive contributors to relative return were overweight positions in **Summerset (SUM)** and **Stride Property (SPG)** and an underweight in **Kiwi Property (KPG)**. SUM rose 21.5% over the month after announcing good sales numbers for the June quarter and investors became more optimistic around the outlook for house prices. SPG announced the commencement of its Industrie Property joint venture along with several small acquisitions for the joint venture. SPG rose 10.2% over the month. While KPG reported good sales results for June at its key retail properties it was not able to keep up with the performance of the index and ended the month up 1.9%.

The largest detractors from relative performance were overweight positions in **Waypoint REIT (WPR)** and **Garda Property (GDF)** and an underweight position **Goodman Property (GMT)**. WPR ended the month down 2.7% (in AUD) after a large existing holder sold down their position in the stock while GDF fell 1.5% on no specific news. GMT rose 9.4% as it recovers from a few weak months of performance.

Key portfolio changes during the quarter included adding to **Metlifecare (MET)** and WPR.

(**Bold** denotes stocks held in the portfolio)

Key Fund Facts

Distributions

Calendar quarter

Estimated annual fund charges

Wholesale: negotiated outside of fund

Hedging

Foreign currency exposures may be hedged to NZD at the Manager's discretion within an operational range of 0% to 105%.

Currently the fund's foreign currency exposure is 92.9% hedged.

Buy / Sell spread:

0.20% / 0.20%

Strategy Launch

February 2010

Strategy size

\$57.3m

Compliance

The Fund complied with its investment mandate and trust deed during the month.

Contact Us

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